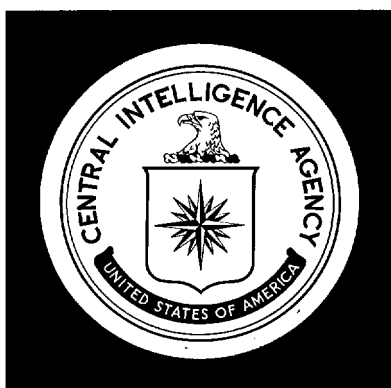


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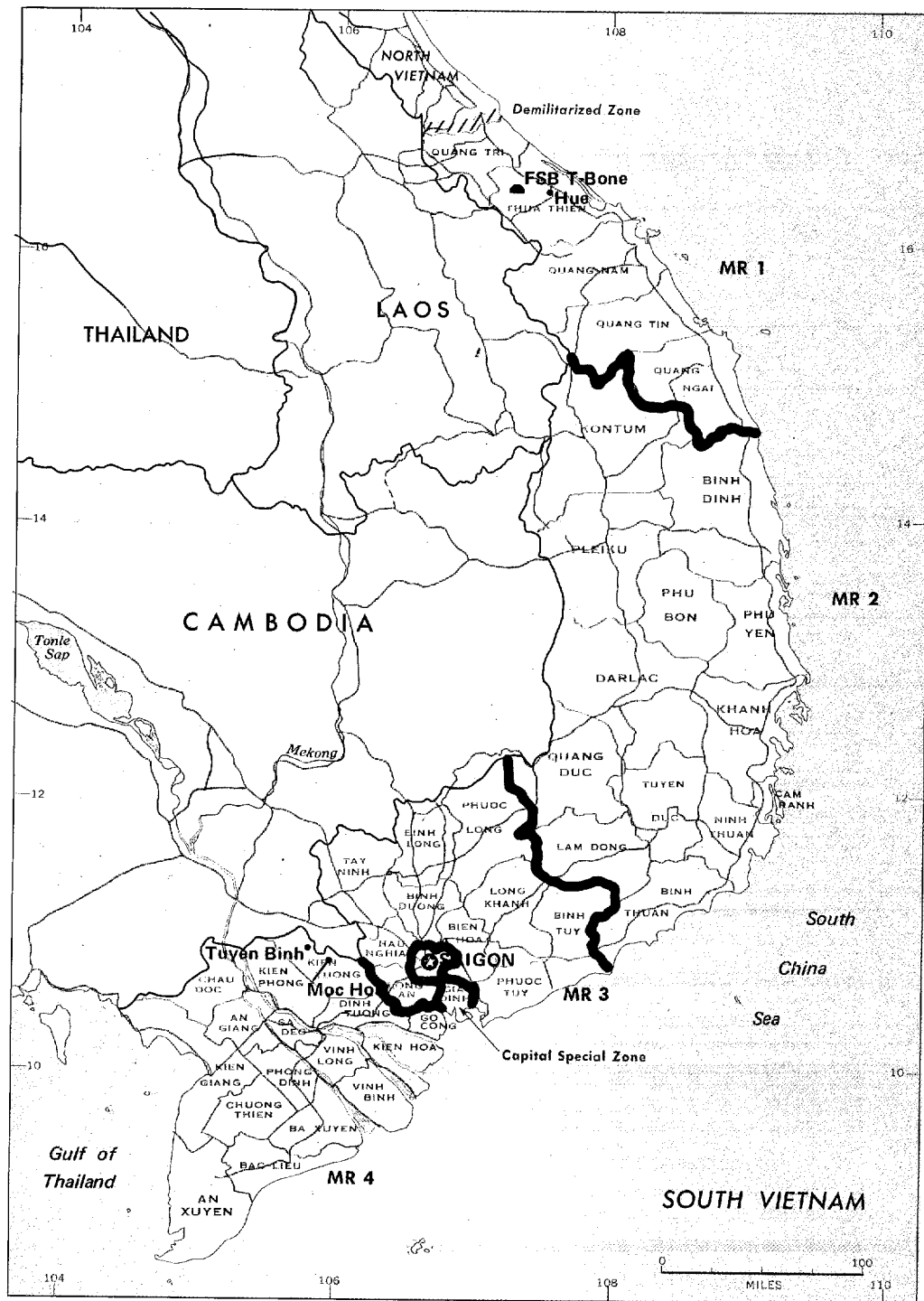
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VIETNAM: The northern Mekong Delta region remains the scene of the heaviest fighting.

Sustained enemy ground and shelling attacks are occurring in Tuyen Binh District of Kien Tuong Province, and some action continues around the provincial capital at Moc Hoa. The attacks, carried out by units of the Communist 5th Division, have caused about 90 percent of Moc Hoa's population to flee the town. Enemy prisoners taken during the fighting claim that the 5th Division's mission is to overrun the entire province and to open the way for more enemy troops to enter the delta.

Such a plan may account for the sharp resistance encountered by South Vietnamese Rangers operating in nearby Cambodia. Earlier this week, a ranger battalion suffered heavy losses while breaking out of a two-day enemy encirclement near the Kien Tuong - Kien Phong provincial border area.

* * * *

The North Vietnamese apparently have conducted a recent review of their war policy. A Soviet "commentator" article broadcast by Moscow Radio on 14 June refers to a "new analysis of the situation" by the Viet Cong and asserts that "the situation has also recently been examined by the Democratic Republic of Vietnam." Several North Vietnamese articles have mentioned assessments of the "new situation" in Vietnam and have noted that North Vietnam's Council of Ministers recently convened to discuss various policy problems. Most of Hanoi's top politburo members have been out of public view for the last two weeks.

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CYPRUS-GREECE: President Makarios' new cabinet announced yesterday should end his most recent and serious round of skirmishing with Athens. Mutual antipathy and suspicion will continue to cloud relations between the two governments, however.

In the last cabinet reshuffle in July 1970, Makarios added new faces to his administration in an attempt to silence criticism that his ten-year-old cabinet had become corrupt. By this move, Makarios was also able to get rid of a few strong-minded cabinet officials who were not malleable.

The 1970 cabinet changes increased Makarios' power, and Greece, already disenchanted with the way things were going on the island, objected to the Archbishop's increasing control. Greek objections peaked in February when Athens demanded that Makarios broaden his cabinet, presumably to eliminate some of these yes-men. The cabinet announced ostensibly has been approved by Greek officials, but most of the new men are close associates of Makarios and are unlikely to cause him any trouble.

The Greeks will probably go along with Makarios' changes because they are preoccupied with getting the island's intercommunal talks moving again; the talks are now in recess after the formal opening on 8 June.

Despite these gestures, Athens' failure to fill its ambassadorial post on the island suggests continued Greek unhappiness with the Archbishop. Nonetheless, Makarios seems to believe that he will

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enjoy a respite from Greek pressure and is turning his attention to the problem of General Grivas, who still favors Cypriot union with Greece. Grivas' failure to act has caused many supporters to desert him, but there remain a few gunmen close to the general who could still move against Makarios. The Archbishop will probably try to reduce this threat now that the cabinet has been reshuffled.

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ITALY: The division within the Christian Democratic leadership over the formation of a center government sets back the prospects for this coalition.

On 14 June, the party directorate voted 17-12 in favor of forming a four-party center coalition with the Liberals; this vote was not positive enough. The other two partners in the prospective alliance, the Republicans and Social Democrats, have publicly stated that they would not support such a combination without Christian Democrat unanimity. They recognize the futility of forming a center coalition with a bare majority in parliament unless the Christian Democrats are in full support of such an arrangement.

Nevertheless, Premier-designate Giulio Andreotti probably will go through the motions of attempting to form a center coalition as he has with other combinations. Although these negotiations may not produce a coalition, they at least will demonstrate that a temporary all - Christian Democrat minority government is the only solution available in the near term.

Some Italian politicians have been testy about allowing the Christian Democrats to govern alone as they did in the pre-electoral period. The major parties, however, need time to set new policy guidelines. In the interim, the business of government can be handled under an all - Christian Democrat administration, particularly during parliament's summer adjournment.

After the Socialists and Christian Democrats hold party congresses in October, there may be a serious attempt to reconstitute the center-left formula that has ruled Italy for most of the past decade. The Socialist central committee met last week and expressed the party's readiness to rejoin

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a center-left government. The question of the role the Communists should be allowed in the legislature--an issue which has divided the Socialists and Christian Democrats in the past--was not addressed and probably will not be covered until the party congress.

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FINLAND: Recent party congresses by four of Finland's eight major political parties, including the governing Social Democrats, reflected maneuvering for position in a future coalition government.

The Finnish Social Democratic Party (FSDP) congress produced the most significant results. The party center, with left-wing assistance, consolidated its dominant position at the expense of the relatively conservative old guard. Party chairman Paasio and party secretary Sorsa, prime minister and foreign minister in Finland's narrow minority government, were returned to office in an endorsement of their "center-left" leadership. The right wing of the party lost ground when Kaarlo Pitsinki was ousted as chairman of the party council, and conservative FSDP vice chairman Lindblom failed in a bid to succeed him. Pitsinki, in particular, was unacceptable to party moderates and leftists as a symbol of adamant opposition to cooperation with the Communists. While the congress rejected a recent Finnish Communist Party (FCP) offer to increase cooperation on common policy programs and at the local organization level, it did not exclude common participation in a coalition government nor cooperation on specific objectives. The Social Democrats are clearly striving to preserve all options for broadening their present minority into an FSDP-dominated coalition.

The Center, Swedish Peoples', and Liberal parties have also concluded congresses and returned incumbent chairmen to office. All were members in the previous left-center coalition and remain likely candidates for the next. The Swedish Peoples Party, at its congress, muted its right wing in an obvious effort to maintain its eligibility. Early formation of a majority government still appears unlikely, however, despite the Liberal Party chairman's public expression of confidence that a coalition would be formed before July. Rather, the parties are

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still maneuvering for independent advantage in local elections this fall. Moreover, the Communists will not join a coalition until Finland's bid for an arrangement with the European Communities, which they oppose, is settled, presumably this summer.

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ORGANIZATION OF AFRICAN UNITY: The ninth annual OAU heads-of-state conference, which ended in Rabat yesterday, was highlighted by the strongest resolution yet adopted by the OAU on the Middle East.

The resolution, which appeared to go beyond last year's strongly pro-Arab resolution, avoided an outright condemnation of Tel Aviv, but attacked "Israel's negative and obstructionist attitude" and called for its immediate withdrawal from "all occupied Arab territories." The presence of a large number of Muslim African leaders, including Morocco's King Hassan, Mauritanian President Ould Daddah, Algerian President Boumediene, and Tunisian President Bourguiba may have been a factor in the adoption of the strong resolution. The resolution gave no indication that the OAU intends to resume efforts to break the Middle East deadlock with something similar to the mission of four African heads of state last year.

The summit also elected a new secretary-general, Nzo Ekhah-Nghaky, who has been the Cameroonian labor minister since 1965 and is reported to be a capable administrator. He replaces Diallo Telli, a Guinean, who held the post for eight years but had become increasingly unpopular with African leaders.

Other summit resolutions provided for increased aid to African liberation groups, condemned racial policies in South Africa, Rhodesia, and Portugal's African territories, and attacked the US for purchases of Rhodesian chrome. A proposal for a regional defense system was sent to a committee for further study. The summit delegates apparently did not take a position on the Law of the Sea issue, but they may have referred the matter to a committee in the hope of preparing a common African stand for next year's international conference.

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AFGHANISTAN: Prime Minister Zahir's chances for staying in office have improved.

A week ago, it appeared that Zahir lacked the support of the King and that his resignation in the face of parliamentary criticism might be imminent. Since then, Prince Abdul Wali, the King's powerful son-in-law and cousin, has been telling influential politicians that Zahir should remain as prime minister.

Zahir helped his own cause by a forceful and responsive performance when he appeared before the lower house for questioning on 13 June. At a similar session the week before, he dodged questions and was generally uncooperative.

The royal family, presumably including the King, may have decided that an attempt to form a new government at this time would only complicate the country's problems and that it might be better to wait until after elections next year. Nevertheless, given parliament's propensity for quarreling with any prime minister, Zahir could easily find himself in trouble again, and he has no guarantee of continued royal support, especially if he is still unable to deal effectively with the many problems facing his government.

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USSR-US: The Soviet Foreign Ministry is drafting a proposal for a US-USSR treaty to combat air hijacking. Claiming that such a treaty would enhance the favorable post-summit atmosphere and serve as an example to other countries, the official in charge of this project implied that the thrust of the Soviet proposal will be toward mandatory extradition of hijackers. The official reiterated standard Soviet opposition to authorizing a "supra-governmental" body to enforce agreements that combat hijacking. The Soviets, however, are supporting a UN Security Council consensus statement on air piracy and have indicated a willingness to consider other US initiatives.

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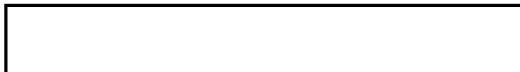
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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board has approved the following national intelligence estimate:

NIE 61-72 "The Outlook for Morocco"



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